



# ECONOMIC INDICATORS

SEPTEMBER - OCTOBER 2002

## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The California economy appears stuck in neutral. Despite a limited improvement in the unemployment situation, job growth is minimal. The real estate market is a mixed bag. Home prices continue rising at a brisk pace, but this is also dampening existing home sales. And, further, the price spiral has yet to stimulate dramatic increases in home building.

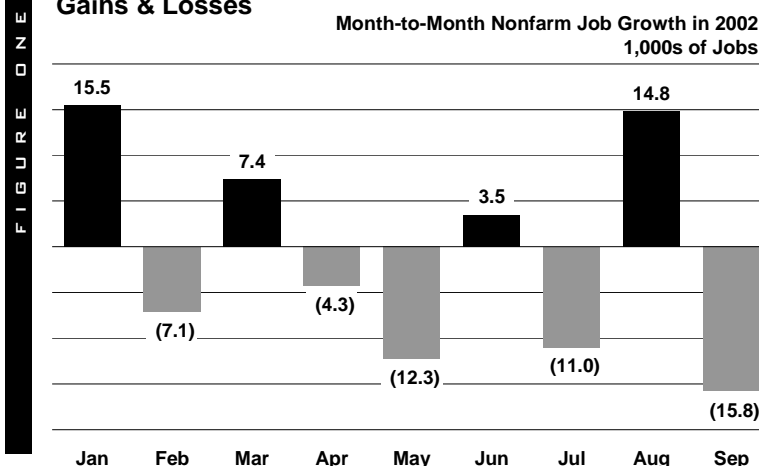
### EMPLOYMENT

#### EMPLOYMENT APPEARS STATIC

September continued this year's saw tooth pattern of alternating monthly job gains and losses. Nonfarm employment in California fell by 15,800 in September. Part of this drop, however, was the result of a 3,100 upward revision to the August payroll count. The revision pushed August's job gain up to 14,800. Thus, over the past two months California's industry employment has been essentially static—with a net loss of 1,000 jobs. With September's loss, a total of 9,300 jobs have been dropped from California's payrolls since the beginning of the year—a loss of less than one-tenth of one percent-age point.

#### Gains & Losses

Month-to-Month Nonfarm Job Growth in 2002  
1,000s of Jobs



#### TEMP EMPLOYMENT BOOSTED

The major industry sectors that added jobs in September include services, construction, and finance. The 5,500 job growth in the service sector was led by gains in health services (2,400), motion pictures (2,200), and business services (2,000). The gain in business service employment—led by personnel supply firms—was the largest one-month gain since September 2000. Increased employment by "temp" firms is usually a sign of an economy gathering strength.

Local government reductions (14,500) led the public sector to drop 16,000 jobs in September. An unusual drop in local education employment was most likely due to difficulty in seasonally adjusting local education employment estimates in the back-to-school months of August and September.

On a year-over-year basis, industry employment in California fell by 53,600 (or 0.4 percent) in September. Manufacturing lost the most jobs—69,400. Weakness in high-tech manufacturing has been joined by softness in construction-related industries (lumber, wood, furniture, and metal products) and weakness in consumer-oriented nondurable industries (food processing, apparel and

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## BUILDING ACTIVITY

## REAL ESTATE

HOME SALES HAVE  
MODERATED...

...WHILE HOME PRICES  
CONTINUE RISING

textiles, printing, and rubber products). Outside of manufacturing, the transportation and public utilities sector followed with a drop of 37,700 jobs. Government continued to lead year-over-year job growth by adding 55,000 jobs.

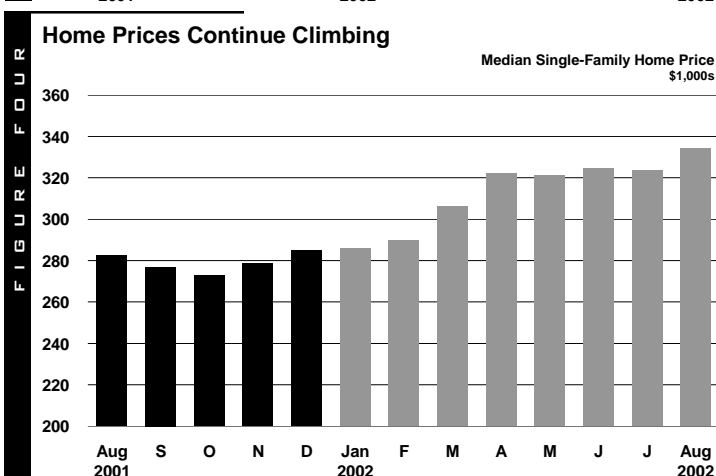
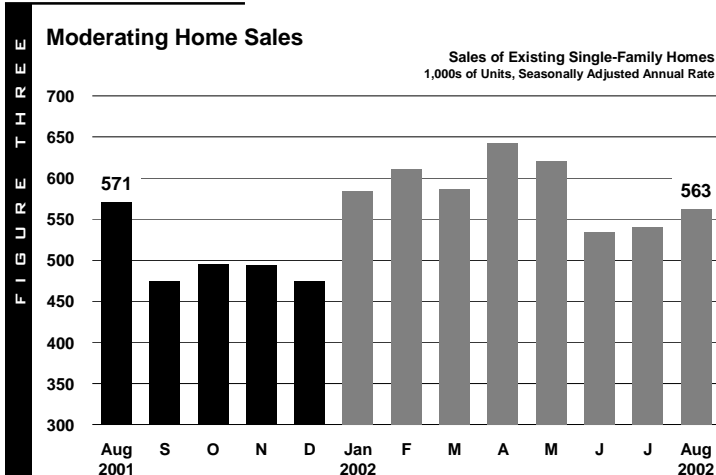
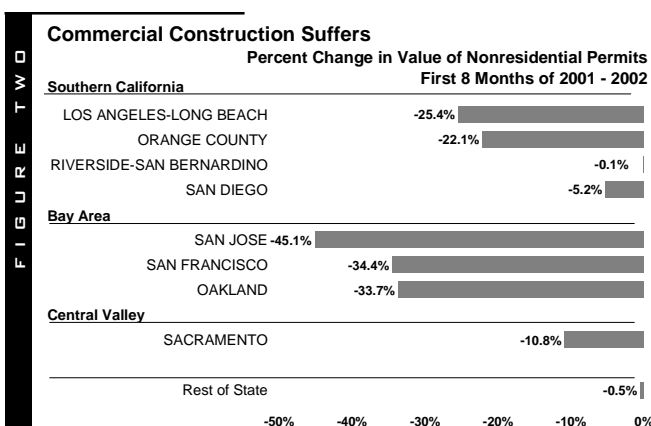
California's unemployment picture improved slightly in September with the rate of unemployment dropping to 6.3 percent from an upwardly revised 6.4 percent rate in August. The improvement resulted from a combination of a 32,000 rise in the labor force and 8,000 fewer unemployed persons.

Following July's surge, homebuilding slowed in August. At a seasonally adjusted annual rate, 149,700 single and multi-family units were permitted in August, 3.8 percent less than one year earlier. Residential construction has followed a seesaw pattern of gains and losses throughout 2002. Through the first eight months of 2002, total residential permitting was only 3 percent stronger than during the same months of 2001, with strong gains in single-family construction outweighing a 9 percent drop in multi-family building. The San Francisco Bay Area continues to suffer from the greatest slowdown in residential construction.

Nonresidential construction, on the other hand, sped up in August but is still far below last year's pace. Steep drops in office and store construction were the main contributors to a 25 percent year-over-year reduction in August. The slowdown has affected essentially all areas of the state, with—as noted with the residential sector—the Bay Area experiencing the sharpest reductions.

Persistently low home mortgage interest rates drove sales of existing single-family detached homes up to 562,780 units in August, at a seasonally adjusted annual rate. Despite this improvement, August was the first month of the year to register a year-over-year decline. Over 571,000 existing homes were sold in August 2001. The August sales pace was also still significantly slower than the healthy pace achieved in the first half of the year. Existing home sales averaged over 608,000 units during the first five months of 2002. The average for June, July, and August was 545,800—a 10 percent drop.

The upward spiral of California home prices barely slowed in August. After four consecutive months of 20-plus percent year-over-year price appreciation, the state's median single-family home price stood at \$334,100—18.3 percent above the August 2001 median.



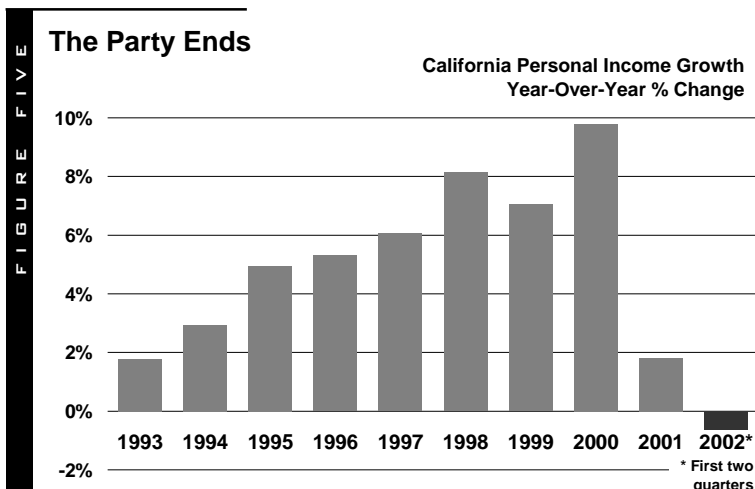
## THE RECESSION'S IMPACT ON CALIFORNIA'S INCOME

### INCOME GROWTH SLOWED PRECIPITOUSLY

The most dramatic feature of California's current economic slowdown is the rapid deceleration of personal income growth. After peaking in 2000 with a year-over-year growth of 9.8 percent, California's personal income grew only 1.8 percent in 2001 and it may do even worse in 2002. This slowdown is the result of both deteriorating employment and reduced wage rates—caused to a great extent by a waning stock market.

Personal income is the earnings received by all persons from:

- Employment (wages and benefits net of Social Security payroll taxes).
- Property income (dividends, interest and rent).
- Proprietors' income (individual and partnership business income).
- Public and private transfer payments, (Social Security, welfare, Medicare, MediCal, etc. from the public sector, and household credit losses from the private sector).



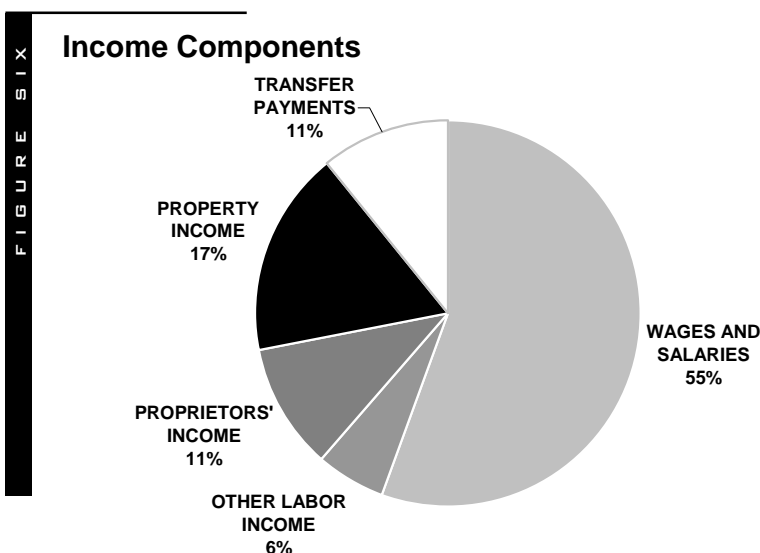
Personal income differs from "cash" income in that it:

- Includes several non-monetary income items such as employee health insurance benefits and employer contributions to pension funds (Other Labor Income).
- Excludes capital gains (because gains do not represent current production).
- Excludes payouts from all pension plans, including IRA, 401k and traditional pension plans.

### WAGES AND SALARIES DOMINATE INCOME...

...AND MORE  
WAGES ARE  
CONNECTED TO  
THE STOCK  
MARKET

Compensation paid to employees is the dominant component of total personal income. In addition to the large share it represents—55 percent—wages have been more volatile during the last half-decade. The rising importance of performance-based and stock market-linked forms of compensation, such as bonuses and stock options, largely explains this volatility. Historically, nonwage forms of income have grown faster than wages and salaries. From 1970 through 1995 nonwage income in California rose an average of 9.8 percent each year while wages grew only 7.9 percent.



However, since 1995, wages have grown 7.7 percent annually on average while nonwage income has risen only 4.7 percent each year. The rising importance of performance-based and stock market-linked compensation, such as bonuses and stock options, largely explains this volatility.

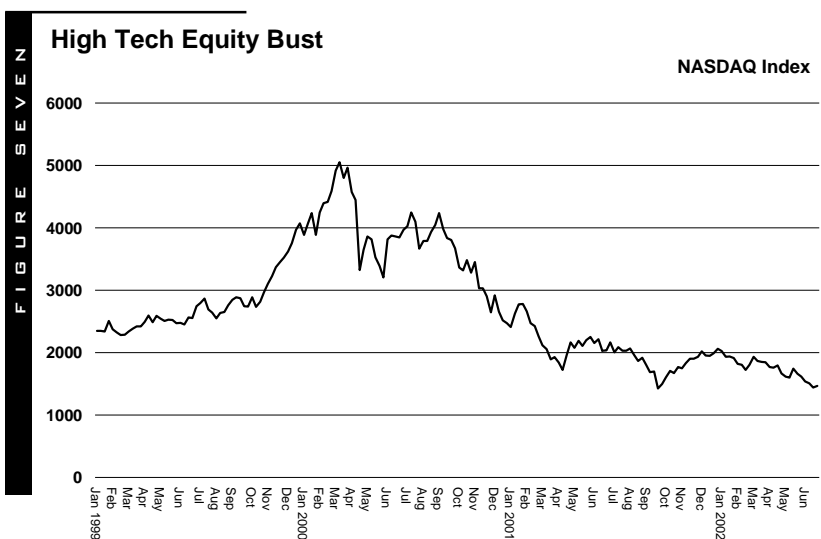
Much of this extraordinary wage and salary growth resulted from an overheated stock market and the increasing popularity of stock market based forms of compensation. In 2000, stock options may have accounted for as much as 12 percent of California wages and salaries, up from about 2 percent in 1995. Of the \$73.7 billion increase in wages and salaries earned in 2000, the Department of Finance estimates that \$28.5 billion, or 39 percent, was attributable to the increase in the value of stock options exercised. This option income growth reflected the “bubble” in the technology-heavy NASDAQ index, which more than doubled in value between mid-October 1999 and early March 2000. The collapse of this bubble was also responsible for the dramatic slowdown in wage growth. Between March 2000 and the end of 2001, the NASDAQ index lost over 57 percent of its value. Correspondingly, estimated stock option income received by Californians fell by over 43 percent between 2000 and 2001.

Since the stock market was responsible for the dramatic gains leading up to 2001, it is not surprising that its downturn strongly affected those industries that used them most intensively. High technology manufacturing and computer programming services were the leading recipients of stock option income during the dot-com boom. Nationally, about one in five executives in these industries was a recipient of stock options in 1999. Their use in the high technology sector was

particularly important to California. Options are attractive to many cash-poor high technology start-up companies. Stiff competition for top employees coupled with rapidly appreciating technology stock prices made stock options valuable to this industry’s business environment. And thus, the most dramatic slowdowns occurred in these sectors. Manufacturing wages, after growing over 17 percent in 2000, dropped 12 percent in 2001—nearly a 30 percentage point swing. In the service sector (which is dominated by computer programming and personnel supply firms) wages slowed from a 17 percent year-over-year leap in 2000 to a mere 1.2 percent gain in 2002. The only income components that enjoyed accelerating growth in 2001 were rents—a consequence of spiraling real estate prices—and wages paid in the farming, mining and state and local government sectors.

Income estimates for the first half of 2002 paint a mixed picture. On the one hand, income received during the first half of the year fell 0.6 percent short of the corresponding period of 2001. However, both quarters are definite improvements over the end of 2001. Personal income in the first quarter of 2002 rose 2.2 percent from the last quarter of 2001 and the second quarter improved slightly on the first.

Salaries and wages continue to be the weakest component of personal income. A sluggish economy and further stock market deterioration combined to weaken wage income by 2.3 percent compared to the first half of 2001. Manufacturing wages have weakened the most by suffering from the sharpest fall in employment among major industry sectors—down 5.6 percent over the year—along with the most acute drop in wage rates—5.9 percent. The transportation and commu-



## IMPROVEMENTS IN 2002?

nication sector also was staggered by the twin blows of weakening employment—down almost 4 percent over the year—and falling wage rates—down 1.7 percent. A number of factors including the travel and tourism downturn that followed the September 11 attacks, the continuing financial troubles among major airlines, and the slowdown and financial imbroglios that have beset the telecommunication industry, led to a 5.6 percent

drop in wages and salaries paid in this sector. Led by the dot-com collapse, wages in service industries dropped 2.5 percent from a slight drop in employment and a strong drop in average wages. The financial industry was another casualty of the stock market slide. Here, however, employment did not fall as increased banking employment—spurred by increased home mortgage lending and refinancing activity—made up for the sharp reduction in securities industry employment. Average wages have suffered, though, as the stock market is no longer fueling impressive fee and commission payouts.

California's personal income is suffering from both a general economic slowdown and the bursting of the high technology equity bubble in mid-2000. As the state's economy improves, driving stronger employment growth, personal income—wage income in particular—will renew its upward advance. However, absent a repeat of the extraordinary stock market performance of the late 1990s, it is likely that growth will return to historically modest patterns.

## Slower Wage Growth

**California Salary and Wage Growth**  
Year-Over-Year Percent Change  
First 2 Quarters, 2001 - 2002

	WAGES AND SALARIES	NONFARM EMPLOYMENT	AVERAGE WAGES
<b>Total Salaries &amp; Wages</b>	-2.3%	-0.3%	-1.9%
Mining	5.2%	-1.3%	6.5%
Construction	1.5%	-0.2%	1.7%
Manufacturing	-11.2%	-5.6%	-5.9%
Trans., Comm., Utilities	-5.6%	-3.9%	-1.7%
Wholesale & Retail Trade	0.0%	0.6%	-0.7%
F.I.R.E.	-1.0%	1.2%	-2.2%
Services	-2.5%	-0.4%	-2.2%
Government	4.6%	3.3%	1.3%
Federal	5.4%	-0.3%	5.7%
State and Local	4.4%	3.7%	0.7%

FIGURE EIGHT

# SELECT INDICATORS

## EMPLOYMENT

	2002				2001	Yr-Over-Yr
	Sep	Aug	Jul	Jun	Sep	% Change
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	16,428	16,388	16,477	16,426	16,416	0.1
Unemployment (000)	1,108	1,116	1,125	1,145	984	12.5
Unemployment rate	6.3	6.4	6.4	6.5	5.7	--
Nonagricultural wage and salary employment (000)	14,646.9	14,662.7	14,647.9	14,658.9	14,700.5	-0.4
Mining	23.3	23.3	23.3	23.6	24.2	-3.7
Construction	758.7	756.9	756.7	761.6	771.0	-1.6
Manufacturing	1,803.7	1,807.2	1,814.0	1,823.9	1,873.1	-3.7
Durable	1,116.5	1,121.4	1,124.4	1,129.5	1,177.2	-5.2
High technology a/	459.8	463.7	467.2	470.5	497.3	-7.5
Computer and office equipment	85.1	86.2	86.9	87.5	92.0	-7.5
Communications equipment	40.7	41.1	41.3	41.6	43.8	-7.1
Electronic components	139.3	140.7	141.8	142.9	153.0	-9.0
Aircraft and parts	64.2	64.3	64.8	65.3	71.1	-9.7
Missiles, spacecraft, and parts	18.9	19.0	19.1	19.0	20.3	-6.9
Search and navigation equipment	45.7	46.1	46.7	47.1	48.1	-5.0
Measuring and controlling devices	65.9	66.3	66.6	67.1	69.0	-4.5
Nondurable	687.2	685.8	689.6	694.4	695.9	-1.3
Transportation and public utilities	712.2	717.1	720.2	722.4	749.9	-5.0
Trade	3,370.6	3,370.9	3,367.6	3,361.4	3,342.7	0.8
Wholesale	811.4	812.4	811.7	809.9	810.0	0.2
Retail	2,559.2	2,558.5	2,555.9	2,551.5	2,532.7	1.0
Finance, insurance, and real estate	844.0	842.4	844.7	845.9	847.5	-0.4
Services e/	4,676.5	4,671.0	4,668.8	4,676.3	4,689.2	-0.3
Business services	1,253.7	1,251.7	1,253.1	1,259.1	1,293.0	-3.0
Motion pictures	174.1	171.9	171.6	175.1	182.0	-4.3
Amusement and recreation services	222.6	221.5	220.3	221.4	222.2	0.2
Engineering and management consulting	510.4	511.5	510.7	512.9	505.2	1.0
Government	2,457.9	2,473.9	2,452.6	2,443.8	2,402.9	2.3
Federal	256.7	257.4	257.2	256.2	257.9	-0.5
State and local	2,201.2	2,216.5	2,195.4	2,187.6	2,145.0	2.6

## HOURS & EARNINGS

<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	40.9	40.9	40.2	41.0	41.3	-1.0
Average weekly earnings	\$613.50	\$612.68	\$604.21	\$615.41	\$612.89	0.1
Average hourly earnings	\$15.00	\$14.98	\$15.03	\$15.01	\$14.84	1.1

## CONSUMER PRICES

<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	n.a.	186.8	n.a.	185.9	n.a.	--
San Francisco CMSA	n.a.	193.5	n.a.	193.2	n.a.	--
Los Angeles CMSA	183.4	183.0	182.2	181.9	178.8	2.6
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	179.6	n.a.	178.9	n.a.	--
San Francisco CMSA	n.a.	189.3	n.a.	189.1	n.a.	--
Los Angeles CMSA	176.3	175.6	175.0	174.7	171.5	2.8

## CONSTRUCTION

	2002				2001	
	Aug	Jul	Jun	May	Aug	
<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) b/	149.7	176.1	137.7	155.6	155.6	-3.8
Single units	118.4	125.2	105.9	116.5	106.4	11.3
Multiple units	31.3	51.0	31.8	39.1	49.3	-36.5
Residential building authorized valuation (millions) c/	\$2,641	\$2,827	\$2,160	\$2,700	\$2,545	3.8
Nonresidential building authorized valuation (millions) c/	\$1,225	\$1,123	\$1,166	\$1,220	\$1,631	-24.9
Nonresidential building authorized valuation (millions) d/	\$1,298	\$1,133	\$1,339	\$1,325	\$1,727	-24.8
Commercial	418	352	556	451	645	-35.1
Industrial	120	86	126	108	177	-32.5
Other	311	232	207	229	280	11.0
Alterations and additions	450	463	449	537	625	-28.1

## AUTO SALES

<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	n.a.	153,423	139,124	148,744	145,937	--

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

**SELECT  
INDICATORS**  
(CONTINUED)

**VACANCY RATES**

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**VACANCY RATES FOR SECOND QUARTER 2002  
(Percent)**

	Office			Industrial
	<u>Downtown</u>	<u>Suburban</u>	<u>Total</u>	
Northern and Central California:				
Oakland-East Bay	15.2	13.5	13.9	--
Sacramento	6.2	11.0	9.9	14.4
San Francisco	16.5	22.8	18.4	11.7
San Jose	14.3	18.3	17.4	--
Southern California:				
Los Angeles Metro	15.4	12.6	13.1	9.7
Orange County	--	16.3	16.3	--
San Diego	10.0	10.0	10.0	6.9
Ventura County	--	13.2	13.2	--
National Average	12.1	15.9	14.6	11.2

**MEDIAN PRICES**

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**MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES**

2001				2002			
Jan	\$244,110	Jul	267,520	Jan	\$289,520	Jul	323,700
Feb	241,690	Aug	277,430	Feb	298,310	Aug	
Mar	257,550	Sep	275,380	Mar	305,970	Sep	
Apr	255,310	Oct	272,320	Apr	317,100	Oct	
May	255,860	Nov	274,680	May	319,570	Nov	
Jun	267,410	Dec	285,110	Jun	323,300	Dec	



# LEADING INDICATORS/<sup>A</sup>

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.5	66,099	4,693	90.5
	Feb	4.8	41.8	56,057	4,357	122.6
	Mar	5.1	42.2	58,697	3,571	98.7
	Apr	5.0	41.9	59,817	3,948	102.4
	May	4.9	41.8	59,392	4,479	108.2
	Jun	4.9	41.7	63,425	4,375	108.4
	Jul	4.9	41.7	62,005	4,751	112.3
	Aug	5.1	42.0	63,337	4,245	114.3
	Sep	5.1	42.0	64,162	4,755	121.2
	Oct	4.9	42.0	61,530	4,733	127.9
	Nov	5.0	42.2	58,333	4,410	117.1
	Dec	5.2	42.2	58,721	4,853	108.8
1998	Jan	5.1	42.2	56,302	4,675	105.8
	Feb	5.0	41.9	60,117	4,581	111.7
	Mar	4.9	41.9	58,716	4,609	128.8
	Apr	4.5	41.1	57,976	5,081	116.6
	May	4.7	41.8	58,946	4,487	121.6
	Jun	4.8	41.9	54,135	4,725	142.9
	Jul	4.7	41.9	54,275	4,857	117.5
	Aug	4.6	41.7	52,786	4,386	137.2
	Sep	4.5	41.4	50,763	3,757	125.9
	Oct	4.6	41.8	52,856	4,682	137.2
	Nov	4.6	41.7	54,747	4,685	139.9
	Dec	4.6	41.8	53,745	4,680	126.8
1999	Jan	4.7	42.3	52,152	4,875	138.3
	Feb	4.7	41.9	52,800	5,119	133.9
	Mar	4.6	42.0	53,077	6,033	138.1
	Apr	4.7	41.9	53,310	5,082	133.2
	May	4.8	42.0	50,340	5,238	132.6
	Jun	4.6	41.9	51,519	5,569	158.9
	Jul	4.5	41.7	51,002	5,353	147.0
	Aug	4.6	41.5	51,037	5,808	133.2
	Sep	4.5	41.3	50,218	5,906	138.8
	Oct	4.7	41.6	49,393	5,614	131.9
	Nov	4.8	41.5	51,634	5,874	141.2
	Dec	4.9	41.5	44,723	6,674	150.3
2000	Jan	5.0	41.7	50,876	6,400	153.9
	Feb	4.9	41.4	49,482	6,930	151.3
	Mar	4.7	41.4	47,312	8,331	157.6
	Apr	5.2	41.9	45,719	7,557	125.2
	May	5.0	41.6	47,828	6,585	137.7
	Jun	5.0	41.7	49,339	7,330	180.7
	Jul	5.1	41.7	48,033	7,325	132.5
	Aug	5.0	41.7	47,831	7,015	150.9
	Sep	5.0	41.9	47,537	7,268	143.4
	Oct	5.1	41.8	49,454	7,236	136.1
	Nov	4.9	41.6	48,436	7,345	160.3
	Dec	4.8	41.5	52,027	6,494	157.0
2001	Jan	4.5	41.1	48,238	7,344	203.6
	Feb	4.6	41.3	49,840	6,441	141.8
	Mar	4.4	41.1	53,235	6,469	146.6
	Apr	3.9	40.5	55,088	6,227	149.0
	May	4.3	41.0	55,953	6,785	153.9
	Jun	4.3	40.9	54,962	6,413	138.0
	Jul	4.3	41.1	55,836	6,495	129.4
	Aug	4.4	41.3	57,578	7,267	155.6
	Sep	4.3	41.2	60,049	6,213	112.3
	Oct	3.9	40.7	65,425	7,171	151.8
	Nov	3.9	40.7	56,454	7,276	141.6
	Dec	4.0	40.8	46,950	6,957	164.4
2002	Jan	4.0	40.7	69,037	7,019	158.1
	Feb	4.2	41.1	53,411	6,871	171.5
	Mar	4.3	41.2	59,870	7,199	143.9
	Apr	4.3	41.1	67,385	7,324	158.7
	May	4.4	41.1	60,268	8,671	155.6
	Jun	4.3	41.0	59,416	6,985	137.7
	Jul	4.1	40.4	63,359	7,188	176.1
	Aug	4.2	40.8	61,672	7,574	149.7
	Sep	4.0	40.8	n.a.	7,814	n.a.

a/ Seasonally adjusted by the California Department of Finance.  
n.a. Not available



# COINCIDENT INDICATORS/A

## EMPLOYMENT, UNEMPLOYMENT

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		<b>Nonagricultural Employment (Thousands)</b>	<b>Manufacturing Employment (Thousands)</b>	<b>Unemployment Rate (Percent)</b>	<b>Unemployment Avg. Weeks Claimed (Thousands)</b>
1998	Jan	13,407	1,951	6.1	336
	Feb	13,423	1,954	6.1	364
	Mar	13,445	1,956	6.0	366
	Apr	13,486	1,958	6.0	368
	May	13,539	1,964	6.0	355
	Jun	13,584	1,962	5.9	353
	Jul	13,602	1,955	5.9	351
	Aug	13,662	1,954	5.9	356
	Sep	13,709	1,953	5.9	356
	Oct	13,726	1,944	5.8	333
	Nov	13,770	1,936	5.8	352
	Dec	13,788	1,928	5.8	368
1999	Jan	13,783	1,921	5.6	355
	Feb	13,821	1,919	5.6	368
	Mar	13,841	1,920	5.5	375
	Apr	13,901	1,921	5.4	364
	May	13,929	1,920	5.3	373
	Jun	13,961	1,921	5.2	376
	Jul	14,014	1,925	5.1	349
	Aug	14,043	1,923	5.0	352
	Sep	14,064	1,927	5.0	367
	Oct	14,137	1,931	4.9	345
	Nov	14,174	1,929	4.9	344
	Dec	14,196	1,926	5.0	342
2000	Jan	14,249	1,928	5.0	357
	Feb	14,300	1,929	5.0	346
	Mar	14,342	1,932	5.1	353
	Apr	14,391	1,939	5.0	338
	May	14,460	1,944	5.1	326
	Jun	14,498	1,952	5.1	333
	Jul	14,524	1,951	5.1	334
	Aug	14,559	1,954	5.0	335
	Sep	14,587	1,957	4.9	316
	Oct	14,603	1,959	4.8	333
	Nov	14,631	1,963	4.8	343
	Dec	14,683	1,969	4.7	319
2001	Jan	14,729	1,971	4.7	351
	Feb	14,718	1,964	4.7	354
	Mar	14,719	1,957	4.8	360
	Apr	14,721	1,934	5.0	387
	May	14,710	1,921	5.1	414
	Jun	14,689	1,904	5.2	424
	Jul	14,702	1,897	5.3	450
	Aug	14,721	1,884	5.5	472
	Sep	14,701	1,873	5.7	483
	Oct	14,689	1,859	5.9	541
	Nov	14,644	1,848	6.1	510
	Dec	14,656	1,843	6.1	510
2002	Jan	14,672	1,843	6.4	505
	Feb	14,665	1,840	6.2	533
	Mar	14,672	1,838	6.5	516
	Apr	14,668	1,831	6.5	542
	May	14,655	1,823	6.4	557
	Jun	14,659	1,824	6.5	546
	Jul	14,648	1,814	6.4	558
	Aug	14,663	1,807	6.4	531
	Sep	14,647	1,804	6.3	n.a.

## INCOME, WAGES, TAXABLE SALES

— . . . —

		<b>Personal Income (\$ millions)</b>	<b>Wages &amp; Salaries from Mining, Construction and Manufacturing (\$ millions)</b>	<b>Taxable Sales (\$ millions)</b>
1998	Qtr I	905,328	107,999	87,246
	Qtr II	922,090	110,973	89,126
	Qtr III	936,414	112,450	90,733
	Qtr IV	962,676	118,293	91,120
1999	Qtr I	958,792	116,556	93,739
	Qtr II	983,196	120,572	97,146
	Qtr III	1,006,295	126,985	99,747
	Qtr IV	1,040,889	132,447	103,096
2000	Qtr I	1,076,665	146,164	107,393
	Qtr II	1,081,713	140,108	109,940
	Qtr III	1,115,129	151,037	111,702
	Qtr IV	1,105,572	141,624	112,045
2001	Qtr I	1,137,950	139,955	111,989
	Qtr II	1,118,577	136,924	111,275
	Qtr III	1,104,380	129,105	108,517
	Qtr IV	1,097,141	126,779	106,298
2002	Qtr I	1,120,800	128,142	106,974
	Qtr II	1,121,557	126,856	n.a.

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

OTHER  
INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2001		2002	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	31,457	Jan	24,205
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,796	Feb	24,197
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,866	Mar	26,263
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	28,116	Apr	27,081
1986-87	24,515	18.4	1996-97	18,477	17.3	May	27,833	May	27,382
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	28,995	Jun	28,972
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	28,097	Jul	
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	28,565	Aug	
1990-91	24,265	19.5	2000-01	19,939	13.6	Sep	27,219	Sep	
						Oct	29,570	Oct	
						Nov	26,499	Nov	
						Dec	25,184	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL  
NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

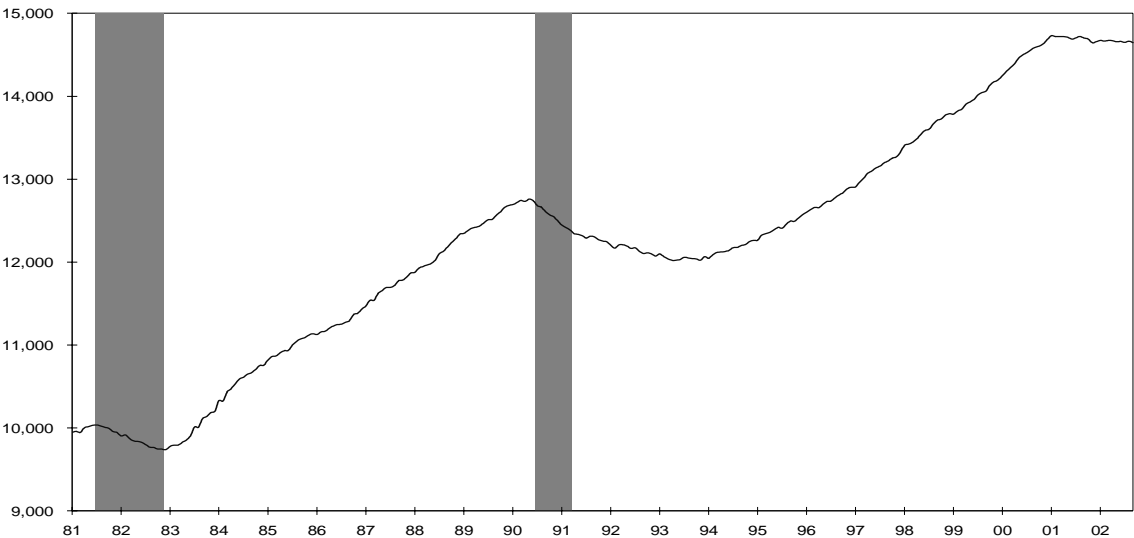
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

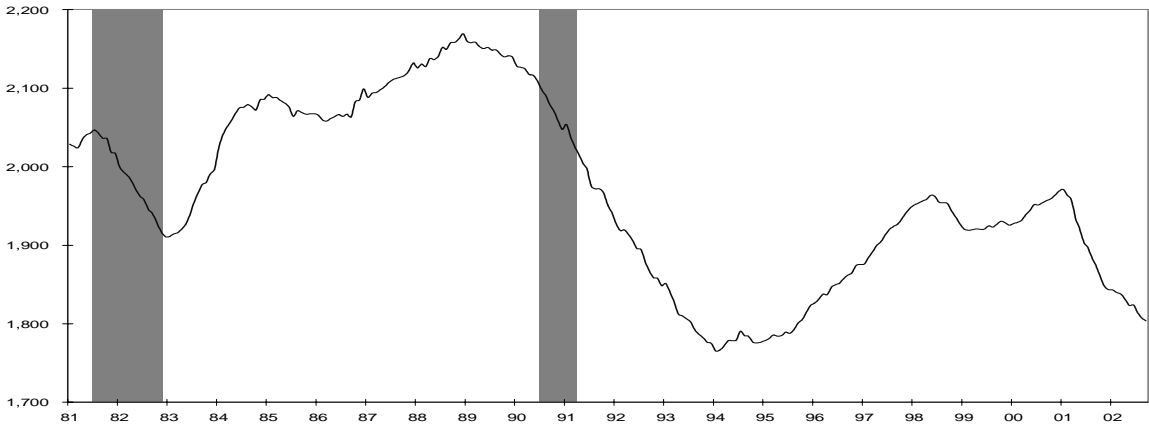
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL  
EMPLOYMENT  
(THOUSANDS,  
SEASONALLY ADJUSTED)



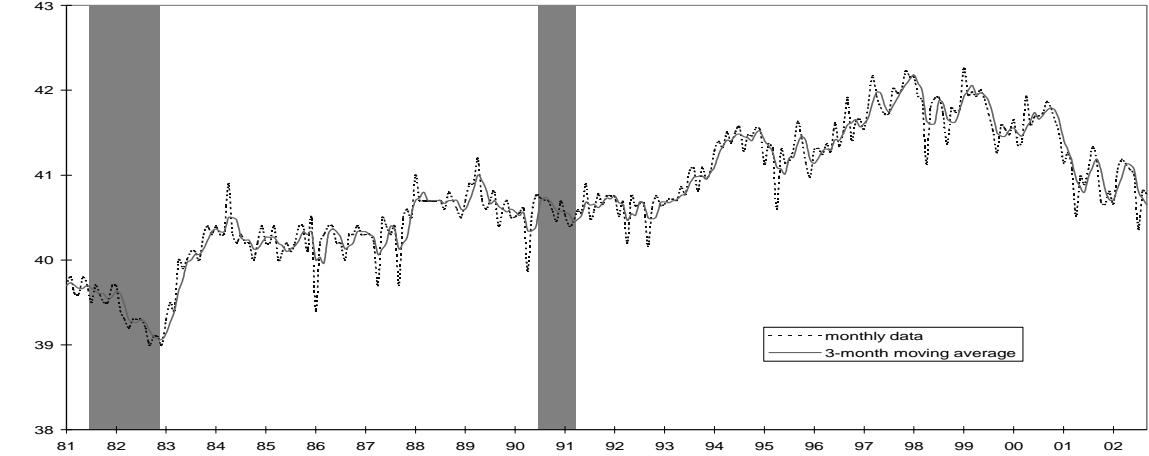
**MANUFACTURING  
EMPLOYMENT**  
(THOUSANDS,  
SEASONALLY ADJUSTED)

— . . . —



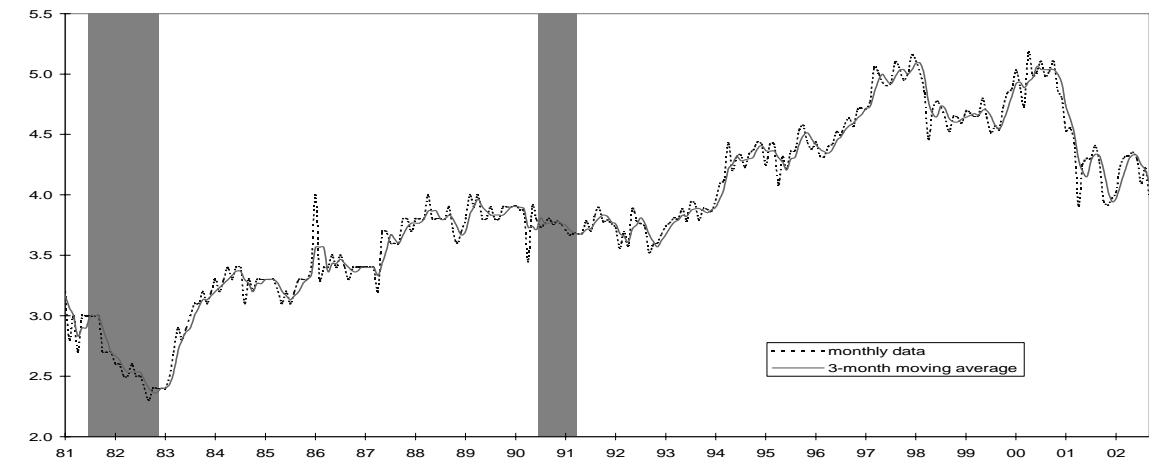
**AVERAGE WEEKLY  
HOURS,  
MANUFACTURING**  
(SEASONALLY ADJUSTED)

— . . . —



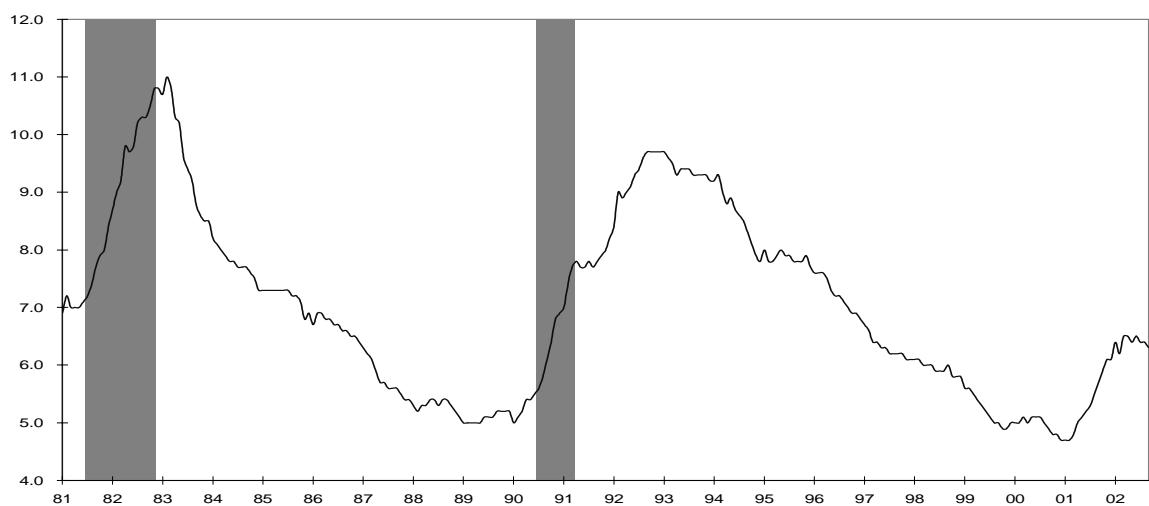
**AVERAGE OVERTIME  
HOURS,  
MANUFACTURING**  
(SEASONALLY ADJUSTED)

— . . . —



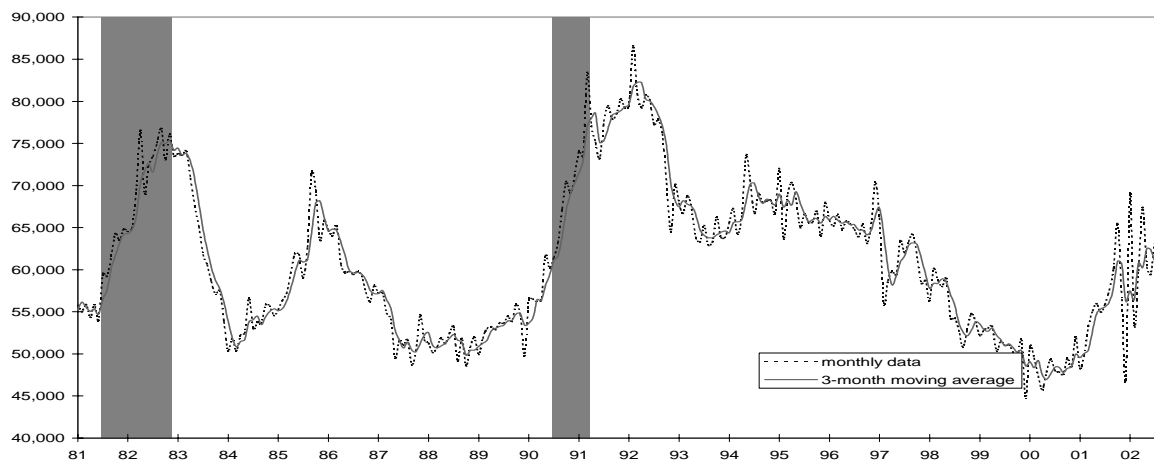
**UNEMPLOYMENT  
RATE**  
(PERCENT)

— . . . —



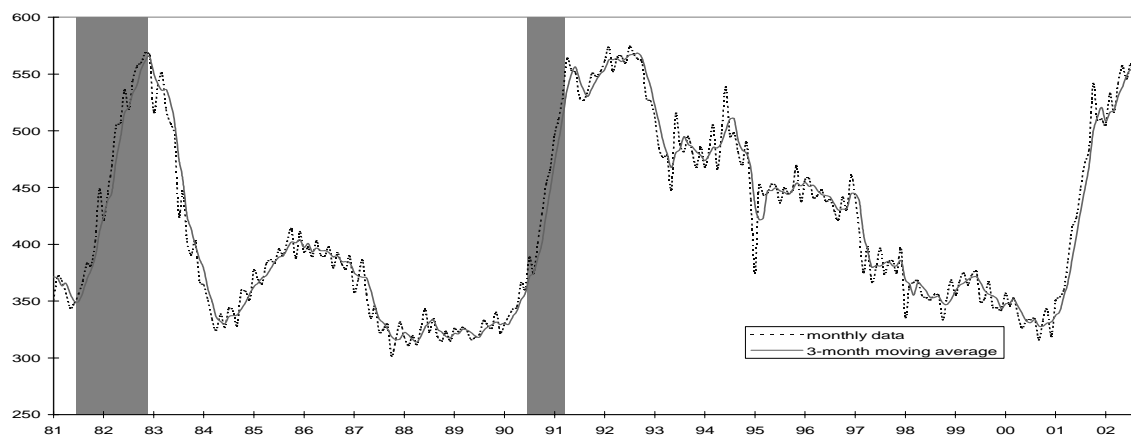
# INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE (WEEKLY AVERAGE, SEASONALLY ADJUSTED)

— . . . —



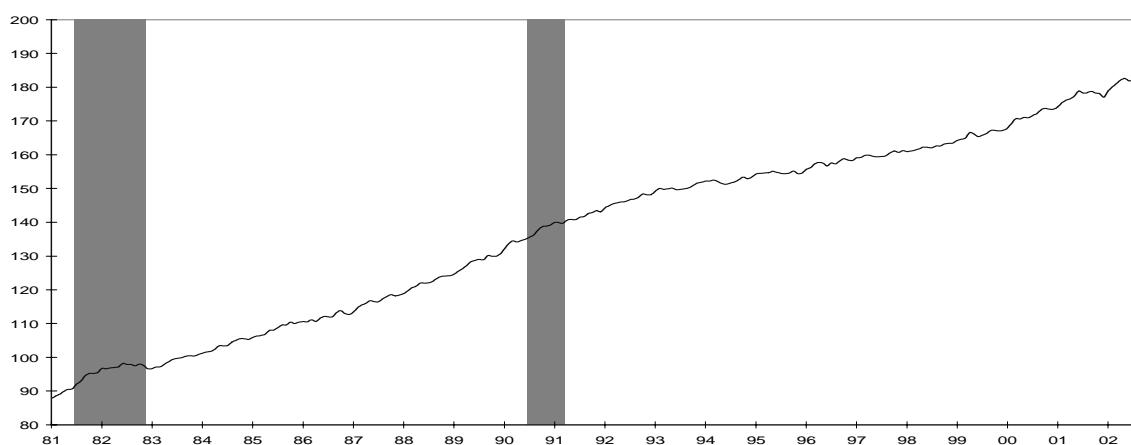
# UNEMPLOYMENT, AVERAGE WEEKS CLAIMED (THOUSANDS, SEASONALLY ADJUSTED)

— . . . —



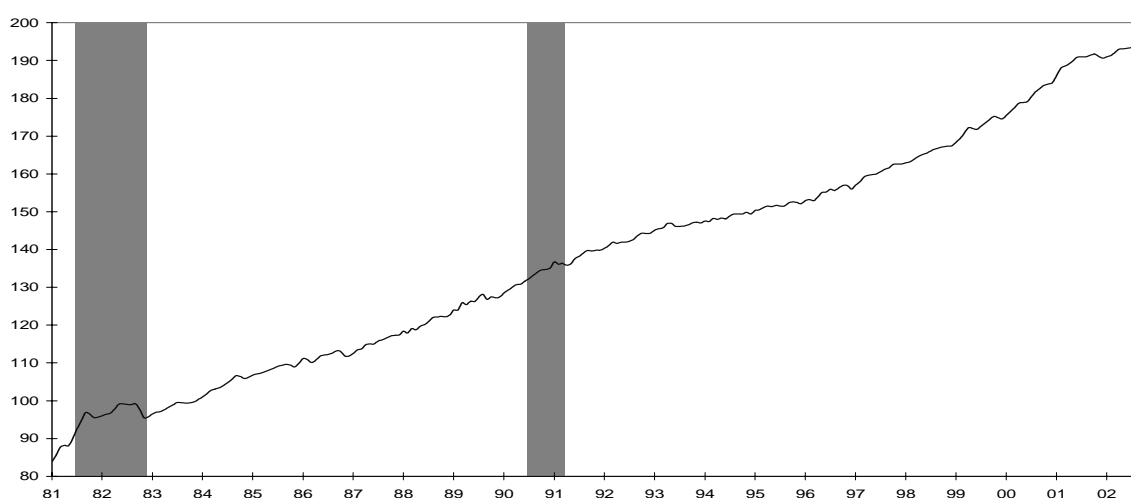
# CONSUMER PRICE INDEX, LOS ANGELES (1982-84=100)

— . . . —



# CONSUMER PRICE INDEX, SAN FRANCISCO (1982-84=100)

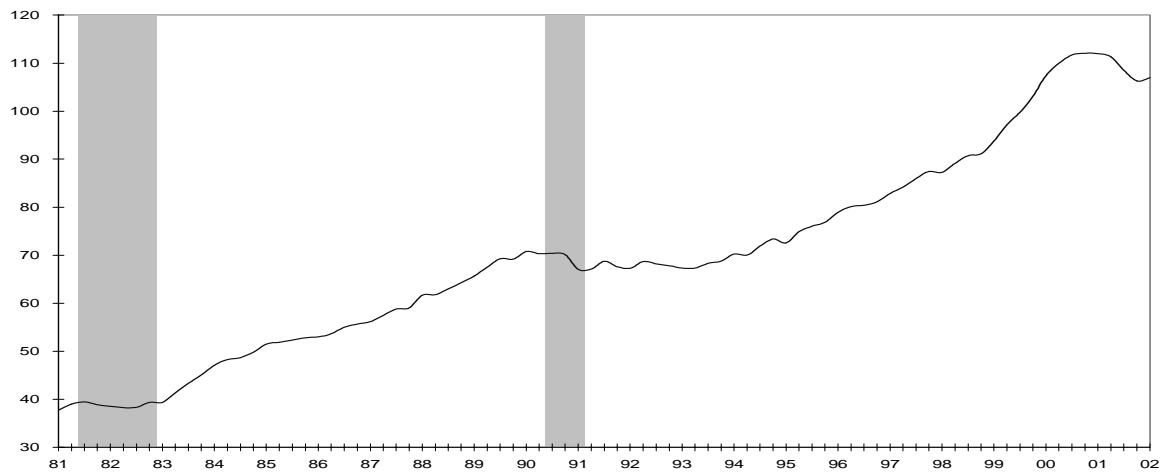
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## TAXABLE SALES

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

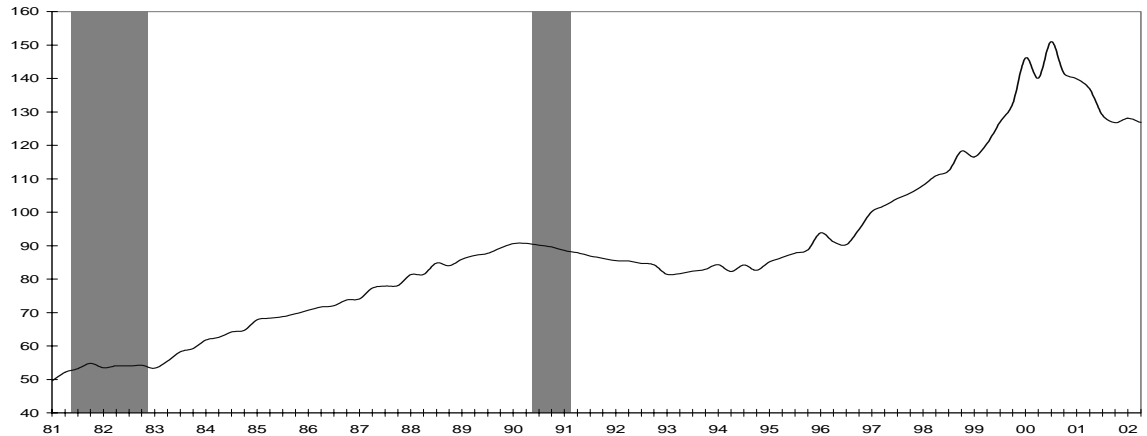
— . . . —



## WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

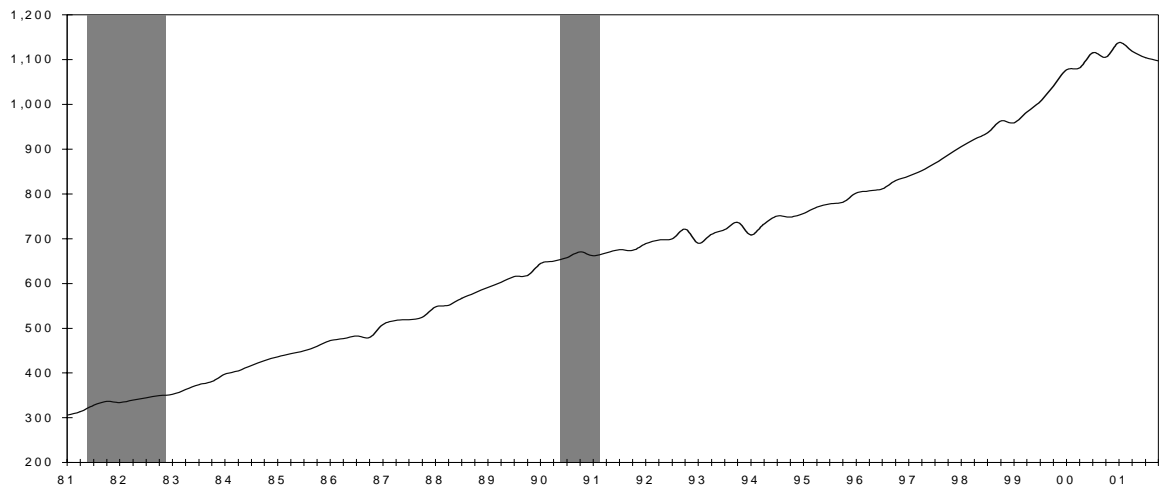
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## PERSONAL INCOME

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

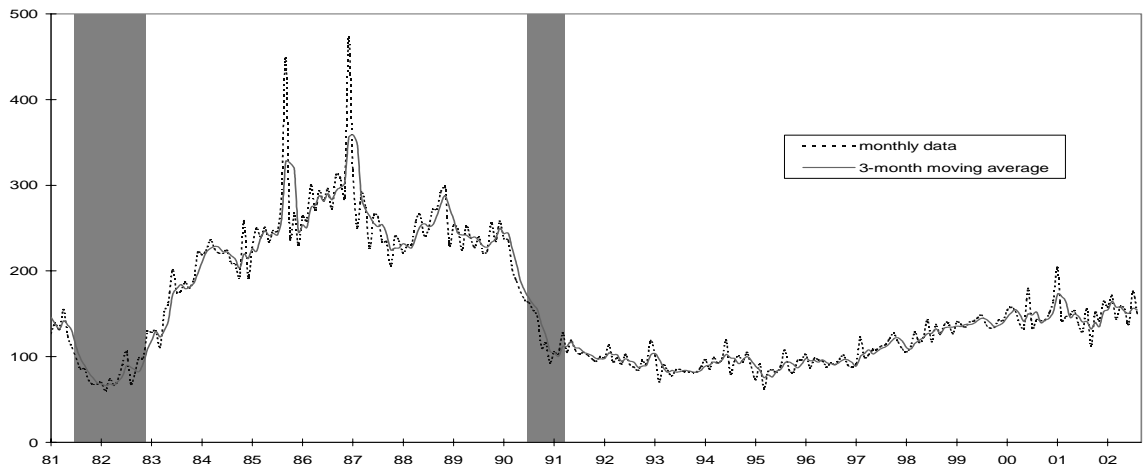
— . . . —



## NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY ADJUSTED AT ANNUAL RATE)

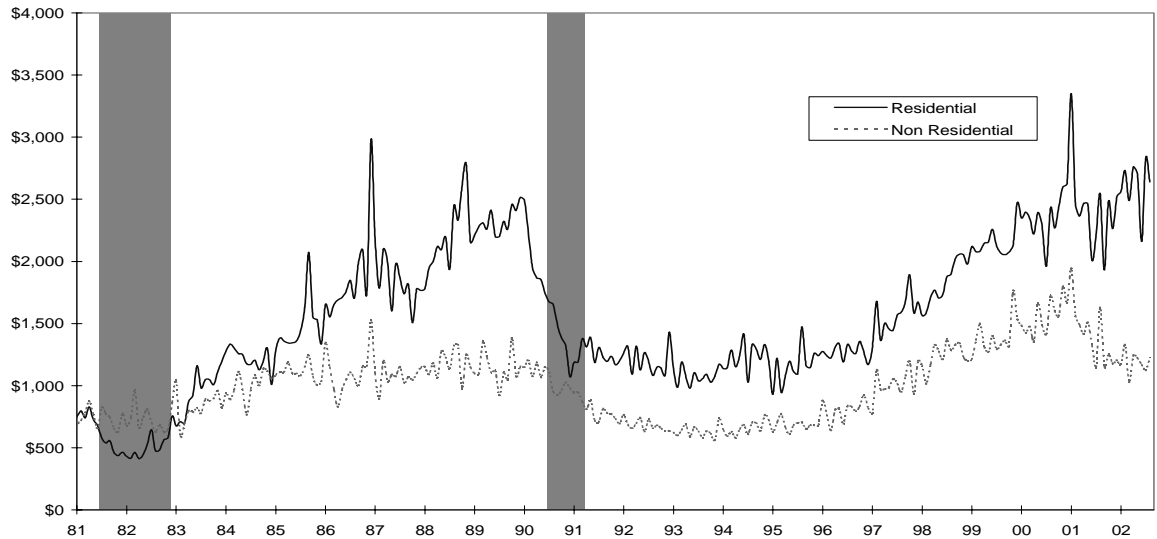
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## RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)

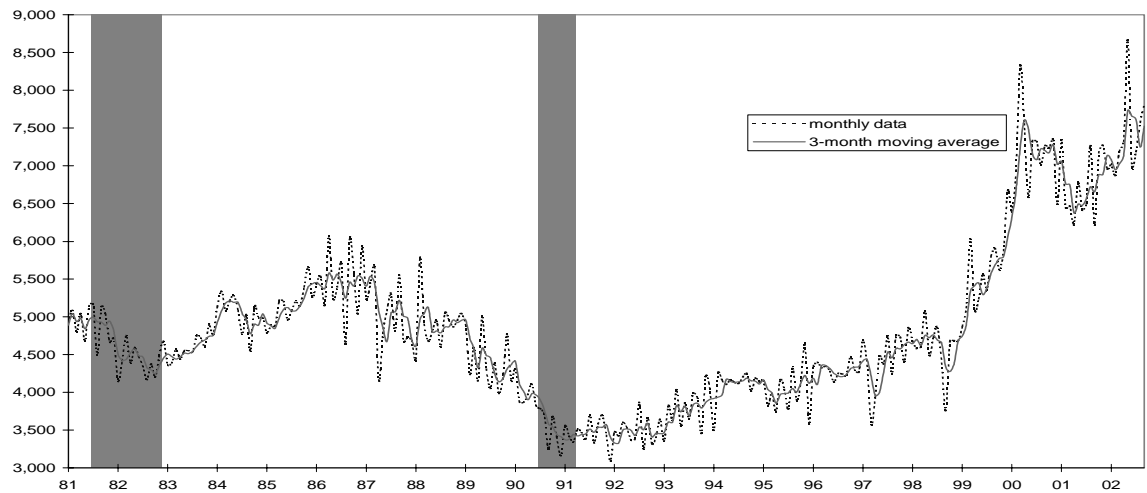
— . . . —



## NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)

— . . . —



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

2001

August 21

Federal funds rate reduced from 3.75 percent to 3.50 percent.  
Discount rate reduced from 3.25 percent to 3.00 percent.

August 29

Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.

August 29

Second quarter GDP grew at a 0.2 percent annual rate.

September 11

Terrorists attack World Trade Center and the Pentagon.

September 11-14

U.S. stock trading halts.

September 17

Federal funds rate reduced from 3.50 percent to 3.00 percent.  
Discount rate reduced from 3.00 percent to 2.50 percent.  
Dow Jones Industrials record biggest point drop in history, falling 684.41.

October 2

Federal funds rate reduced from 3.00 percent to 2.50 percent.  
Discount rate reduced from 2.50 percent to 2.00 percent.

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**2001**

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- October 26** Lockheed Martin Corporation awarded defense contract.
- November 6** Federal funds rate reduced from 2.50 percent to 2.00 percent.  
Discount rate reduced from 2.00 percent to 1.50 percent.
- November 26** Recession in the US began in March 2001, according to NBER.
- December 2** Enron filed for bankruptcy protection.
- December 11** Federal funds rate reduced from 2.00 percent to 1.75 percent.  
Discount rate reduced from 1.50 percent to 1.25 percent.  
China becomes WTO member.
- December 21** GDP down 1.3 percent in Q3.
- December 31** Markets fall for a second straight year for the first time since 1974.

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**2002**

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- January 1** Taiwan becomes WTO member.  
OPEC to cut oil production by 6.5 percent.  
Euro becomes legal tender in 12 European countries.
- January 6** Unemployment insurance benefits increased in California.
- February 28** GDP up 1.4 percent in Q4.
- March 9** California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
- March 28** GDP up 1.7 percent in Q4.
- April 25** Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
- May 13** President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
- June 27** GDP up 6.1 percent in Q1.
- July 5** Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
- July 8** Intel launches its Itanium 2 chip.
- July 10** President Bush called for stiffer penalties to eradicate corporate fraud.
- July 15** Pfizer to buy Pharmacia.
- July 16** The dollar sank against the euro for the first time in more than two years.  
Intel to eliminate 4,000 jobs.
- July 21** WorldCom filed for bankruptcy protection.
- July 22** The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.



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JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

2002

July 30

President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.

July 31

GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters.

Venture capital investments hit four-year low.

August 8

IMF signed an emergency loan to Brazil.

August 11

U.S. Airways filed for bankruptcy.

August 20

The U.S. trade deficit narrowed in June, following two straight record monthly deficits.

September 27-

October 9:

Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.

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